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ABSTRACT

This module on owning and operating a health spa is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (services, customers, and competition; personal qualities and skills; how to compete; legal requirements); choosing a location (type of area and customers; competition; location and type of space); getting money to start (business description; statement of financial need); being in charge (assigning tasks; hiring staff; keeping people happy); organizing the work (keeping track of your customers' fitness; work schedules); setting prices (what affects prices; pricing health spa services); advertising and selling (ads; brochures and fliers); keeping financial records (customer billing form; daily cash sheet); and keeping your business successful (profit/loss statements; changing the business to increase sales). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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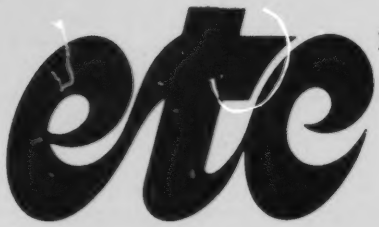

Entrepreneurship Training Components

# GETTING DOWN TO BUSINESS:

## Health Spa

## Module 16

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# GETTING DOWN TO BUSINESS:

## Health Spa

Jean Wolman

April 1981

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## INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own health spa?

This module describes people who have started and managed health spas. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a health spa
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your health spa successful

You will also have a chance to practice some of the things that health spa owners do.

Then you will have a better idea of whether a career as a health spa owner is for you.

Before you study this module, you may want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 14, Getting Down to Business: Nursing Service;
- Module 15, Getting Down to Business: Wheelchair Transportation Service;
- Module 30, Getting Down to Business: Hair Styling Shop.

These modules are related to other businesses in the health and personal services area.

UNIT 1

## Planning a Health Spa

Goal: To help you plan your health spa.

Objective 1: Describe the services, customers, and competition of a health spa.

Objective 2: List three personal qualities a health spa owner should have.

Objective 3: List three ways to help your health spa "stand out" from its competition.

Objective 4: List two special legal requirements for running a health spa.

Buy and keep track of goods
Set prices
Advertise and sell
Keep financial records
Keep the business successful
Plan the business
Be in charge of people
Organize the work

## LUCILLE WOLINSKY PLANS A HEALTH SPA

As a young child, Lucille Wolinsky had been rather sickly. In addition, she came from a poor family with six children. Despite these early problems, Lucille grew into a very determined and energetic young woman. She very much wanted to reverse her beginnings. She set two goals for herself: "I want to make lots of money, and I want to be healthy, attractive, and physically fit."

Lucille took an early interest in sports and developed good skills in many areas of physical education. She thought about becoming a PE teacher. But her desire for financial success turned her in the direction of business.

She thought for a long time about owning a beauty salon. So she took a cosmetology program and went to work as a stylist at Tess' Tresses, a local salon. Planning to open her own shop someday, Lucille took business classes at night. After a year she was ready to evaluate her plans.

"I really like working with my customers here. I see how successful Tess is becoming. But somehow I've been edgy and nervous lately. With these classes at night and standing practically still on my feet all day, I'm not getting enough exercise. Perhaps I should find something more active."

Lucille left her job at Tess'. She went to work as a trainer at La Petite Spa, a small health spa for women in Dayton. She liked her job right from the start and was excited about the future.

"This is the business for me. I enjoy helping my customers exercise and get into shape, and I get to keep in shape myself--all the time. I know I can work well with people. I see how the physical fitness business has a real future! Everyone around seems to have jogging, tennis, exercise, and diet on their minds these days. Also, there's only one other spa in this town so far."

Lucille started to plan her business. She stayed on at La Petite Spa for two more years and learned all about the business. Then she was ready to open her own small, women-only club. It included a small gym, some machines, some classes, and lots of personal attention.

## Planning a Health Spa

Lucille Wolinsky wanted to start her own health spa. As you work through this module, you will see how Lucille's business develops. In this unit, you will learn about four things involved in planning a health spa:

- deciding what services, customers, and competition your spa will have;
- deciding what personal qualities and skills you will need;
- knowing how to compete well; and
- learning about the legal requirements for running the business.

### Services, Customers, and Competition

An important planning step is to decide what services to offer, who your customers will be, and what your competition is.

Services. A health spa can provide a variety of physical fitness and health-related services to women and men of all ages. Services can be many and varied. Depending upon the size and goals of the spa, they might include the following:

- exercise with or without machines;
- water exercise and relaxation in a jacuzzi, swimming pool, sauna, or steam room;
- fitness evaluation and individualized exercise programs;
- nutritional and diet advice along with weight reduction programs;
- skin care and beauty advice and services such as facials, make-up applications, eyelash and eyebrow care, and massage (for women);
- weight-lifting and body-building activities; or
- classes and instruction in a variety of fitness areas.

A small spa might simply offer exercise and personalized service in a small gym. A large spa (often a franchise) might offer all of the services listed above.

Smaller businesses, which are not really health spas, can offer more specialized services. These might include:

- judo and karate studios;
- gymnastics and tumbling centers;
- dance studios (ballet, tap, jazz);
- fitness dance and exercise (aerobics, yoga); and
- counseling services for figure and weight control, and fitness in general.

For lack of space, this module cannot deal with all these possibilities. It will deal mainly with the small health spa.

Customers. Customers may include all persons interested in physical fitness activities and advice. The age range is broad--from teens to young adults to senior citizens. The concern for physical fitness has grown among Americans of all ages. A small spa will often offer services to women or men, but not both. A larger spa, particularly a franchise, often will be coed. In addition, a particular spa may appeal to a special age or community group because of its location, services, prices, or special image.

A word of advice: if you start small, it is wise to serve either men or women. If you do this, be sure to offer services that would especially attract either group. As you see from the list above, skin-care and beauty advice, as well as weight reduction programs, will often attract women. Body-building programs, on the other hand, may attract more men. If you choose to open a men-only health spa, it would be wise to stress weight-lifting and body-building. Otherwise, men would be attracted to a larger spa offering sports facilities and swimming.

Competition. The health spa business is rapidly growing. This is due to the increasing importance and desire for physical fitness in

America today. In some areas, particularly big cities and suburbs, you will find many health spas. These range from small shopping center spas to large franchise operations. In other areas, spas may be few and far between. Like Lucille, you can learn about your competition in the Yellow Pages, under "Physical Fitness" or "Health Spa." Or drive down some of the busy streets in the community to see if they exist near you.

## Personal Qualities and Skills

Lucille Wolinsky decided she was well suited to run a health spa. Are you? If you want to consider this business, it is important for you to have the following qualities.

- You should like people, be outgoing, and be service-oriented. Honesty, patience, and a good sense of humor will help, too.
- You should have several years' experience in the physical fitness (or a related) business.
- You should believe strongly in the value of being physically fit, healthy, and attractive.
- You should be able to communicate well and to "sell" yourself and your services.
- Finally, you should be willing to work hard and do all types of jobs that the business needs done.

There is no set list of requirements for running a health spa. But a knowledge of basic physiology and physical education concepts is important. Basic business skills, such as accounting and bookkeeping, and marketing are also very helpful.

## How to Compete Well

Lucille will have to compete with two other health spas in her area. What can she do to compete successfully?

Create a special business image. "Service is the ultimate." Create a business image that will stand out in people's minds. Be service oriented above all. Think up a "catchy" name for the business. Have an attractive and clean spa. Introduce yourself to the community with this approach: "I'm new in the business. I have the time and desire to offer excellent service. Try my spa." Hire friendly, qualified staff who will be your "good-will ambassadors." And always be polite and patient with customers.

Offer special services. Try to be unique. Offer services that the other spas in the area do not offer. For example, you might consider the following:

- individualized exercise programs;
- special classes in aerobics, rhythm fitness, yoga, diet, or make-up;
- guest speakers;
- private consultations; or
- free guest visits.

## Legal Requirements

To run a health spa, you will need to get a city business license. If you have a swimming pool, jacuzzi, or other water facilities, you will need a public health license as well. You also may have to obey certain rules of the Federal Trade Commission limiting the prices and the length of time your customers can sign up for.

Your state may also have requirements for some special employees. For example, some spas have physical therapists or masseuses on their staff. These people may need to be licensed to do their jobs.

Summary

Health spas provide a variety of physical fitness and health related services to women and men of all ages. Before opening a spa, you should have several years' experience in the physical fitness business. You also need some basic business skills. Above all, you should like working with people. To compete successfully, you must try to offer special, unique, and high-quality services.

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## Learning Activities

### Individual Activities

1. Do you have the right personal qualities to run a health spa? Check each statement below that describes you:

   _____ I like people, and enjoy people of all different types.

   _____ I am physically fit and healthy.

   _____ I believe it is very important to be physically fit and healthy.

   _____ I am patient with people.

   _____ I have a good sense of humor.

   _____ I'm friendly and outgoing and can "sell" myself.

   _____ I'm willing to work very hard and do all types of jobs.

2. What additional education and experience would you need to start a health spa?

3. Look up "Physical Fitness" and "Health Spa" in the Yellow Pages. Decide which businesses listed there would be competition for you. Call one and ask what services it provides.

4. Make a list of the services you would want to offer if you became the owner of a health spa.

5. Call up your local City Clerk and Health Department. Find out what legal requirements you would have to meet to start your own health spa.

Discussion Questions

1. Joe Goodbody opened a small health spa called "Physique." It was equipped with weights and body-building equipment. Gloria Loverly opened a spa called "Glamorama." It was equipped with reducing machines and beauty stations. What types of customers will be attracted to each spa? Should Joe and Gloria try to widen their appeal? Why?

2. How important do you think it is for the owner of a health spa to be physically fit, healthy, and attractive? Discuss the importance of each quality and your reasons for feeling that way.

3. How do you think a small health spa would differ from a large one? Discuss the advantages and disadvantages of starting "small" or "large."

Group Activity

This is a brainstorming activity. As a group, think of as many services as you can that a health spa might offer. Add to the ideas you have already read about. Then think about the kinds of customers who would use each service in terms of sex, age, and occupation (professional, business people, factory workers, etc.)

Write your list on the chalkboard using this format:

| | Customer's: | | |
|---|---|---|---|
| Services | Sex | Age | Occupation |

Then pretend you will open a small health spa in your geographical area. Decide what services you will offer and who your customers will probably be. (Put a check beside those you choose.)

UNIT 2

Choosing a Location

Goal: To help you choose a location for your health spa.

Objective 1: List three things to think about in deciding where to locate your health spa.

Objective 2: Pick the best location for a health spa from three choices.

## LUCILLE CHOOSES A LOCATION

"I'm ready to start. I never even considered going outside Dayton. But first I'd better find out if I can really stay in this area."

Lucille knew that Dayton was a fairly well-off and educated community. When she started working at La Petite Spa, there was only one other health spa in town, Jack Tanny's. Since that time, a large franchised club, The Health Spa, had opened in the local industrial park. Lucille knew that all three spas were doing well. She also knew that they each served different kinds of customers. Her only competition as a women-only spa was La Petite Spa. So Lucille decided:

"Dayton's big enough for me. Some healthy competition will be just fine."

Next, Lucille had to choose a location. She decided she wanted about 2,000 square feet in an area not too close to La Petite Spa. She preferred a first-floor space on a busy street. She also needed room for expansion later and plenty of parking. She decided to look in a rapidly growing area of Dayton near several new housing developments and a large new office building.

Lucille first took a walking tour of the area. In addition to the new housing and offices, a shopping center was being built right on the main street.

"This looks perfect. I'll contact a realtor and see exactly what is available."

Lucille was thrilled to find just the space she wanted in the new shopping center. The price wasn't too bad—$.60 per square foot (or $1200 a month). The developer promised a five-year lease with no rent increases. In addition, she could do exactly what she wanted with the space since it had never been used before. Also, there was some extra space available should she want to expand later on.

## Choosing a Location

As you can see from Lucille, there are several things to think about when choosing a location for your health spa. You must answer questions such as these.

- What type of area should I look for? Are there enough customers in the area? What kind of customers do I want?
- What is my competition?
- Where should my spa be located?
- What type of space do I need?

### Type of Area and Customers

Look for an area where the demand for a health spa exists. Since physical fitness is of such wide interest today, customers can probably be found most anywhere. But you must direct your services, prices, and image properly. In general, your best bet is to locate in an area of fairly well-to-do and educated people. These people will tend to be more interested in good health and fitness. They also will be able and willing to pay a price for it.

### Competition

Advice to some new business owners is often: "Stay away from competition. Be the only one in your area." In the health spa business, this is not necessarily true. An area with several successful spas is an area where there is a demand for physical fitness. And there is probably room for you, too, as Lucille concluded. In fact, Lucille hoped the ads of her competitors would actually create business for her in the relatively new, growing community she chose for a location.

At the same time, when choosing an area, be sensible. Avoid places where there seems to be too much competition. These would be areas where health spas are failing to grow or are failing altogether. Look for an area where health spas have not yet sprung up. If you have studied the population and are confident that future customers exist, by all means start there.

As mentioned earlier, use the Yellow Pages to find out about the competition in the area. See how many health spas exist. See where they are located and what services they offer. If your competitors are busy and there is a strong demand for your services, don't be afraid of some healthy competition. You can reduce the effects of competition by locating your spa sensibly. You can also improve your chances by providing services and customer appeal that the competition lacks.

## Location and Type of Space

Lucille was opening a spa for women. She wanted to be close to her customers. She wanted to attract both housewives and working women. The location she chose was close to both housing developments and offices. The area was growing, too. In addition, Lucille avoided being too close to her main competitor, La Petite Spa. Lucille should find many customers for her spa in this area.

Lucille looked for several other things when choosing her location:

- a visible spot on a busy street;
- plenty of free parking; and
- reasonable rent and a long-term lease.

Lucille hoped that the traffic on the street and the activity of the new shopping center would bring her customers. She also wanted to be easy to reach. Lots of free parking was very important as well. She rented only 2,000 square feet at first. The very least you should have for a health spa is 1,000 square feet. But she chose a space that she could design as she liked and that could grow. Later, if she wanted, she

could rent more space and even build a swimming pool. She knew that many successful "small" spas were as big as 10,000 square feet. These spas also contained many exercise spaces including a swimming pool, jacuzzi, and even a racquetball court.

When you decide what you need in a location, get information that will help you find the best spot. Get suggestions from realtors, business people, and the Chamber of Commerce in the areas you are considering. Look on maps and visit possible spaces to see which meets your needs best.

Summary

When you pick a location for your health spa, find an area where a demand for physical fitness exists. Choose a rapidly growing area, preferably one where well-off, educated people live. Locate your spa on a busy street, close to and convenient to customers and parking. Choose a building with enough space to grow and with reasonable rent and a long-term lease.

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## Learning Activities

### Individual Activities

1. List four things to think about when choosing a location for a health spa.

2. Listed below are some of the things to look for in a health spa location. Mark H beside those which you would want to be as High as possible, and L besides those you would want to be as Low as possible:
   _____ a. Number of well-to-do people in the area
   _____ b. Number of private homes in the area
   _____ c. Number of health spas in the area
   _____ d. Cost per square foot to lease
   _____ e. Length of the lease
   _____ f. Number of parking spaces
   _____ g. Number of people passing by each day

3. Make a list of the health spas in your area and mark their locations on a map. Are they spread out, or are they all in one area? Why might this be?

4. Visit one of the health spas in your area. Do you think it is in a good location? Why or why not?

### Discussion Questions

1. Based on what you learned in the Individual Activities, do you think it would be wise to start a health spa in your area? Why or why not?

2. Do you think Lucille Wolinsky picked a good location for her spa? Why or why not?

3. Manny Musculari opened a body-building spa in a small suburban shopping center. The space was perfect for the gym he wanted to build, and the rent was low. He hoped to attract male customers who lived and worked nearby. There were no similar spas in the area. A large restaurant was next door. There was space for 50 cars in the parking lot. Traffic on the street was so busy that at times it was hard to get out of the parking lot.

   Do you think Manny's location is a good one? Discuss the main benefits and problems of this location. Remember the type of business and customers he plans to have.

4. Lynda Gorgene wanted to open a health spa. She found a perfect location. It was a spa that had just gone out of business. The 2,000 square foot space was equipped just as Lynda wished, and the price was right. It was on a busy street in a well-to-do neighborhood, with plenty of parking. Was Lynda's choice a wise one? Does Lyrda need to know more before making a decision? What?

Group Activity

Assume again that you will open a health spa in your area and do the following.

1. Use the information you found in the Individual Activities to decide in what general area you want to locate. Locate this area on a local map.

2. Discuss possible locations for your spa. Use your knowledge of the area's roads, traffic patterns, other businesses, housing, and business areas. Discuss the advantages and disadvantages of each.

3. Decide on the best location.

4. Discuss what kind of space to look for.

UNIT 3

Getting Money to Start

Goal: To help you plan how to borrow money to start your health spa.

Objective 1: Write a business description for your health spa.

Objective 2: Fill out a form showing how much money you need to borrow to start your health spa.

## LUCILLE GETS MONEY TO START HER SPA

"The next step: Money! What do I need to start my spa and where am I going to get it? Even though I'm starting small, this is not one of the cheaper small businesses to start. I'm going to need some expensive equipment. Though I can't even start thinking about a swimming pool, I must have a shower, and I'd like a simple sauna, too. I'd better make a list of all my expenses to find out exactly what I'll need to borrow. I only have $3,000 of my own money to invest."

So Lucille listed all her expenses. Here's what the list looked like:

| | |
|---|---|
| Salaries (1 part-time assistant--3 months) | $1,500 |
| Rent (3 months) | 3,600 |
| Phone and Utilities | 200 |
| Remodeling (including bath and shower) | 5,000 |
| Exercise Equipment and Sauna ($30,000 total, 1/3 down) | 10,000 |
| Furniture and office equipment | 2,500 |
| Supplies and printing | 500 |
| Advertising | 400 |
| Insurance, licenses, legal and accounting advice | 4,000 |
| TOTAL | $27,700 |

Lucille knew that money was hard to borrow. So she decided to keep costs as low as pssible. She would budget only three months' rent and salaries instead of six. She also would lease all of her equipment instead of buying it.

Lucille made an appointment with Bob Banks at First Federal, where she had banked for several years. He gave her a statement of financial need to fill out. He also told her to write a business description. It had to include information about the services her health spa would provide, her location, customers, competition, and plans for success.

Lucille worked hard to do a good job on her loan application. She so wanted her own spa! She was delighted with Mr. Banks's reaction:

"Congratulations, Lucille. You've done a fine planning job. I think Dayton can use a women's spa like The Fitness Place. Your loan is approved."

## Getting Money to Start

All new businesses require money to start up. In this unit you will learn about how to get money to start a health spa.

Wouldn't you be lucky if a friend or relative gave you money with no strings attached? Let's assume it won't be so easy. You will probably have to go to a bank or to the Small Business Administration to borrow money. When you apply for a loan, you will need to provide information about yourself and your business. You can start now to keep a list of your education and work experience. This will help you provide the information about you.

To provide the information about your business, you will need to prepare a business description and a statement of financial need.

### Business Description

Lucille's banker wants to know exactly what kind of business Lucille is planning and how she will run it. He wants to know how carefully she has planned for it. Your banker will want the same kind of information.

A business description should be written clearly and simply. It should include the following information:

- Kind of business (What services will it offer? How will it be run?)
- Location (Where will it be and why?)
- Customers (Who are they and where will they come from?)
- Competition (What is the competition?)
- Plans for Success (How will you beat the competition?)

Read Lucille's business description below to see how it covers this information.

Kind of business. "I plan to start a small, women-only health spa. Its name will be 'The Fitness Place.' It will offer exercise with and without machines, and nutritional and diet advice. It also will offer fitness and figure evaluation with individualized exercise and diet programs, sauna and showers, and a variety of exercise classes. I plan to hire one half-time assistant to give me enough time to advertise and sell our services."

Location. "I plan to locate at 1020 Ohio Avenue, in a 2,000-square-foot space in a new shopping center. It is located on a busy street near the homes and offices of the customers I hope to serve. It is easy to see and convenient to reach. I can rent it for only $.60 per foot with a five-year lease at the same rate."

Customers. "My customers will all be women, mostly in the age range of 20-50. I hope to attract many young housewives in the new housing developments nearby. I am also looking for working women in the nearby office buildings."

Competition. "There are only three other health spas in the Dayton community: La Petite Spa, a women-only club across town; Jack Tanny's, a men's spa; and The Health Spa, a large franchise in the big industrial park. They are all doing well. I believe there is room for another spa in this new, growing area in Dayton."

Plans for success. "The Fitness Place will aim to provide friendly, personal service in a warm and caring environment. Services will be entirely geared to women's interests. Classes will be offered according to customer needs. As the business grows, I hope to rent more space and build a small swimming pool and jacuzzi."

You can see that Lucille's business description gives much of the information the bank wants. Next you will learn about the statement of financial need.

## Statement of Financial Need

Your statement of financial need must show (1) your starting expenses, (2) how much money you already have, and (3) how much more you will need.

Starting expenses. Starting expenses for a health spa include at least the following:

- exercise equipment ($18,000 - $30,000 new; can buy or lease; used equipment is less costly);
- bath and showers ($5,000 - 10,000);
- office equipment--typewriter, files, calculator ($500 - 1,000); and
- insurance ($3,000 - 4,000).

In addition, from three to six months of operating expenses are needed in the beginning. Remember what Lucille did. She figured three months' salaries and rent. You will have to wait for your income to come in on a regular basis.

Starting expenses for a health spa can vary quite a bit. Lucille, for example, started on a small scale with 2,000 square feet and some exercise equipment. She splurged on a sauna. But she leased all her equipment and only had to put one-third of her expenses down. In the long run, leasing costs more. But it is a cheaper way to start. Lucille could have started with even less. She could have purchased used equipment and rented even less space. However, most experts in the business say that $50,000 is about the least you can expect to spend (including loans for equipment).

Lucille could have started with more money than $50,000 by having a pool, jacuzzi, more space, more employees, and so forth. She could have bought all her equipment. Or she could have opened a franchise spa. This usually costs more since you are paying a large company to use its name and to get expert advice on starting and operating the business.

Sample statement. When you know your starting expenses, you are ready to fill out a statement of financial need such as this one:

| STATEMENT OF FINANCIAL NEED | | | |
|---|---|---|---|
| **Starting Expenses** | | **Money on Hand** | |
| Salaries | $_____ | Cash on Hand | $_____ |
| Building Expenses | _____ | Gifts or Personal Loans | _____ |
| Repairs and Renovations | _____ | Investment by Others | _____ |
| Equipment and Furniture | _____ | TOTAL | $_____ |
| Inventory or Supplies | _____ | | |
| Advertising | _____ | | |
| Other | _____ | | |
| TOTAL | $_____ | TOTAL STARTING EXPENSES | $_____ |
| | | TOTAL MONEY ON HAND | _____ |
| | | TOTAL LOAN MONEY NEEDED | $_____ |

The forms you will actually use to apply for a loan may be slightly different. The items may not appear to include all of your own needs. For example, Lucille had several expenses that would need to be included. These are: exercise equipment and sauna under "equipment and furniture"; utilities and phone deposits under "building expenses"; business licenses, insurance, legal and accounting fees under "other." Lucille should list these separate items on her statement of financial need.

## Summary

You will probably need to borrow money to start your health spa. In applying for a loan, you will need to provide a description of your business and a statement of financial need. The amount of money needed to start a health spa depends on several things. These are the size of your spa, the services you plan to offer, and the amount of money you are able to spend.

## Learning Activities

### Individual Activities

1. Write a business description for the health spa you would like to start. You may have to "make up" some of the information such as the address. Include information about (1) kind of business, (2) location, (3) customers, (4) competition, and (5) plans for success. Your description should be simple and clear and should include all information a loan officer would need to tell whether the business is likely to be successful.

2. Answer the following questions about Lucille.
   a. How much money did Lucille need to start her health spa?
   b. How much money in all did she have available to start her spa?
   c. How much would she need to borrow from the bank?
   d. How much, in addition, would she owe on the exercise equipment?
   e. About how much less would she spend on exercise equipment if she started with used equipment?
   f. How much more would she need for salaries and rent if she planned for the first six months, instead of only three months?

3. Fill out the statement of financial need on the next page for Lucille. List items that don't fit under "Other." Include any special explanations you think are needed.

| STATEMENT OF FINANCIAL NEED | | | |
|---|---|---|---|
| **Starting Expenses** | | **Money on Hand** | |
| Salaries | $_____ | Cash on Hand | $_____ |
| Building Expenses | _____ | Gifts or Personal Loans | _____ |
| Repairs and Renovations | _____ | Investment by Others | _____ |
| Equipment and Furniture | _____ | TOTAL | $_____ |
| Inventory or Supplies | _____ | | |
| Advertising | _____ | | |
| Other | _____ | | |
| TOTAL | $_____ | TOTAL STARTING EXPENSES | $_____ |
| | | TOTAL MONEY ON HAND | _____ |
| | | TOTAL LOAN MONEY NEEDED | $_____ |

Discussion Questions

1. a. Do you think Lucille's business description is a good one? Does it include everything it should? If not, what should be added?
   b. If you were the loan officer at Lucille's bank, would you give her the loan? Why or why not?

2. Starting expenses for a health spa probably range from somewhat under $50,000 to much higher, say $100,000-$150,000. What reasons can explain this range? What are the advantages and disadvantages of starting off low? High?

3. Lucille could also have opened a franchise spa called "The New Image." Her starting costs would have been $65,000. The New Image franchise offered basically the same services that Lucille could offer at her own shop, plus a jacuzzi and steam bath.

Should Lucille have chosen a franchise instead of her own business? Discuss the advantages and disadvantages of the franchise approach.

Group Activity

Andrea Goldberg wanted to start her own physical fitness business, but she didn't have enough money to start a "health spa" in its usual form. In fact, she only had a total of $10,000 to invest. This included $3,000 of her own and $7,000 from a bank loan.

She decided to open up a gymnastics center for children and teenagers. She would rent about 1,000 square feet of open space. She would equip it with tumbling mats and climbing and balancing equipment. She would offer classes in basic gymnastics activities for children aged 1 to 18. As far as Andrea knew, she would be the first such gymnastics business in the area apart from one local YMCA. She would run the business alone until business grew enough to hire more teachers.

As a group do the following.

1. Prepare a business description of Andrea's gymnastics center, which could be used in her loan application. You will have to make up more details about the business than those provided above. Your description should include the five parts of a business description you have learned about in the text.

2. Prepare a statement of financial need for Andrea. List all her starting expenses, money on hand, and loan money needed. Figure that her rent will be about $.80 per square foot and that the exercise equipment will cost about $3,000.

UNIT 4

Being in Charge

Goal: To help you plan how to hire employees and divide the work of your health spa.

Objective 1: Decide how to divide the work of your health spa among several employees.

Objective 2: Pick the best person for a specific job in your health spa.

Objective 3: List three ways to keep your employees happy.

## LUCILLE "IN CHARGE"

With her business plan and loan in hand, Lucille was almost ready to open The Fitness Place. However, she first had to decide exactly what jobs needed to be done in her spa. She also had to hire an assistant to do them.

"The first and foremost job in this business is teaching and helping customers exercise in the gym. Of course, even before this, I have to get the customers. So selling and advertising The Fitness Place will also be very important. Then, once I get started, I'll have to keep the place spotlessly clean. And the plumbing and equipment must be kept in good working order at all times. The phones must be answered. The bills must be paid. And there'll be a good bit of recordkeeping and filing, too."

Lucille decided to start with a part-time assistant. She would work out in the gym with customers during peak hours. Lucille would look for someone willing to clean up and do some office work, too. This would free her to do the advertising and sales, so important in the beginning of any business.

Lucille would be depending a lot on her only assistant. So she wanted to be very careful about whom she hired. She was confident about her own ability to judge people. So she would interview people very carefully and try out anyone she liked before actually hiring her.

"What should I look for?" thought Lucille. "I'd like someone who looks very trim and fit and who exercises regularly. If possible, I'd like someone who's worked in a spa before. But if that's not possible, I'll train her. More importantly, she must be outgoing, friendly, and able to get along well with the customers. Also, since I can't afford to pay very much, the fun of the job will have to be more important than the money. Maybe a P.E. student who wants some experience or a housewife who wants a part-time job would be good possibilities."

Lucille interviewed several young women. Then she found Sally Lipton, a former P.E. teacher and 32-year-old mother living nearby. Sally was available for the right hours and was very eager to work part-time. Before hiring her, Lucille invited Sally to work out with her as a guest for two weeks. Sally and Lucille got along well. Lucille was delighted to hire her first, and only, employee.

## Being in Charge

As you learned from Lucille, owning and operating a health spa involves several basic tasks. Getting these tasks done often involves hiring and being in charge of other people. In this unit, you will learn about:

- the tasks involved in running a health spa and the people needed to do them;
- hiring these people; and
- keeping them happy.

### Deciding Who Will Do Each Task

Five major tasks are involved in running a health spa:

- providing direct services to customers, such as exercise training and classes;
- "selling" and promoting the services of the spa to possible customers;
- keeping the spa clean and the equipment in working order;
- doing the office work, including answering the phone, filing, billing, and bookkeeping; and
- hiring, training, managing, and sometimes firing people.

It is possible in a small, new spa for two people to do all five tasks. If you start with a small gym like Lucille's, you, the owner, can be the main trainer, salesperson, and manager all in one. A trainer is a person directly involved in helping spa customers work out and develop proper exercise routines and habits. You will have many responsibilities. So it is wise to hire at least one part-time assistant to work with customers. This will allow you to do the sales and promotion tasks so important in the beginning. Hire someone who is already qualified as a trainer or who would be easy to train for the job. You might want your assistant

to help with the telephone, office work, and cleaning as well. In a small business, it is wise to hire people who are willing and able to do any task to keep the business running smoothly.

As your business grows, you may need more people to handle the workload. You also may begin to add new services which will also require more people. These people may require special training or work experience. They may be hired part-time as needed to provide the services desired. However, they could be self-employed people whom you pay by the hour or service performed. Here's an example: remember Joe Goodbody from Unit 1--owner of Physique, a body-building spa? He decided to offer physical therapy for persons with athletic injuries. He hired a licensed physical therapist to work at Physique on a customer-appointment basis.

Many small health spa owners prefer to hire part-time people. Since there tend to be busy and slow times at a spa, part-time people can be hired for the busier times. Part-time people will also save you money because you won't need to pay for vacations and fringe benefits.

As your business grows, you may decide you need a manager to take on sales and management responsibilities. You would probably hire a manager full-time. You might pay her or him a commission for new customers in addition to a small salary. You might also decide to hire someone to do the cleaning and maintenance work. A part-time cleaning person or a professional janitorial service may be the answer for you.

As time goes on, you, as owner, will need to decide exactly what your "people needs" are.

- How many people do you need?
- What should they be hired to do?
- What should you look for when you hire?

You have already read some suggestions about answering the first two questions. Read on to learn about the qualities to look for in the people you hire.

## Picking the Best Person for the Job

You will have many important jobs as owner of a health spa. One will be to choose well-qualified, reliable people to work for you. Since your people will be working directly with customers, your success or failure depends on their ability to keep customers happy.

Here are some things to look for in the people you hire. A trainer or assistant should have:

- the ability to get along well with people of all sizes and shapes (friendliness, patience, and a good sense of humor help);
- an attractive appearance, including a good figure or physique as an example of physical fitness customers can admire;
- background or experience in physical education;
- the ability to be easily trained for the job; and
- office skills (if you expect your assistant to do a lot of office work).

A manager should have:

- good sales skills;
- experience in the health spa business, preferably as a manager; and
- the desire to be successful in business.

Now you are ready to advertise the job you want to fill. Have each person who applies for a job (1) fill out a written job application, (2) have a personal interview, and (3) provide personal references.

The personal interview is especially important. It can reveal personal qualities that do not show up on an application. Your judgment about each person is very important in selecting qualified people. Personal references should also be checked out. When you select someone, have that person work out with you as a guest of the spa for a while. If you are still pleased, hire the person on a probationary basis for a month or two. That means you will re-evaluate the employee before offering a permanent job.

## Keeping People Happy

A health spa, as any other business, must keep its people happy to stay in business. As owner of such a business, you can keep your people happy in these ways:

- provide enough training;
- have clearly stated policies; and
- establish good personal relations.

Training. Provide enough training and instructions to allow your people to carry out their assignments. Offer exercise training to an employee who does not yet have skills in this area. You can do this during that first "guest" week.

Policies. Be clear and honest about your policies and pay. Tell interested people exactly how much you pay and what raises they can expect when they work for you. Try to offer salaries, fringe benefits, and working conditions that are at least as good as your competitors. If possible, give written information on your policies so that your people know exactly how you operate. And when you establish policies, follow them in a businesslike manner.

Personal relations. Job satisfaction comes when people like what they are doing and feel they are doing well. Tell your people when they are doing a good job. Offer an understanding ear when they have problems, and help them work toward solutions. Have regular and personal contact with them, letting them know you care. As much as possible, make your spa a pleasant, fun place to be.

## Summary

To operate a health spa, you need at least one part-time trainer/assistant. Hiring good people involves reviewing their applications, interviewing them, and checking personal references. Keeping the people

you hire happy involves several things. You must give them enough training to do their jobs well, have clearly stated policies, and establish good personal relations.

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## Learning Activities

### Individual Activities

1. Here is a list of some of the tasks that need to be done in a health spa. Who would do each task--Lucille, or Sally, or both?
   a. Teach customers proper exercise techniques
   b. Write an advertising brochure
   c. Answer the phone
   d. Buy a new jacuzzi
   e. Hire a nutritional expert to teach a class
   f. Send out monthly bills
   g. Sweep up the gym floor at the end of the day

2. Below is a list of people a health spa might need. Write down the quality you think is most important for each of these people to have.

| Job | Quality |
|---|---|
| a. Trainer | _____ |
| b. Manager | _____ |
| c. Janitor | _____ |
| d. Nutrition instructor | _____ |
| e. Beauty expert | _____ |
| f. Judo teacher | _____ |
| g. Physical therapist | _____ |

3. List three personal qualities that could show up in a personal interview but not on an application that might keep you from hiring someone:
   a.
   b.
   c.

4. Whom would you hire as a part-time trainer for your women's health spa? Explain your choice.
   a. Tanya Fisher: trim, fit divorcee who needs a job to support her children; she taught children's gymnastics.
   b. Robert Lopez: college P.E. student, wants part-time job in related area, physically fit, friendly, and good looking.
   c. Lisa Wong: housewife with two school-age children, attractive, jogger, regular spa customer who is excited about working at the Fitness Place.

Discussion Questions

1. Why is it important for Lucille to hire an assistant? Do you think one part-time person will be enough? Does Sally Lipton seem well-qualified for the job?

2. You are the director of a successful women's spa. You want to offer a new fitness counseling service and need to hire a counselor. You have just interviewed Jim McDonald for the job. He is the best qualified applicant. He has good references and experience, and you like him personally. The only problem is that he would be the only man in your women's spa. Should you hire him? Why or why not?

3. Suppose that Lucille's spa grows rapidly. She and Sally can no longer serve the growing number of customers well. What might Lucille do to improve the situation? List two or three possibilities, and discuss the pros and cons of each.

Group Activity

In groups of two, role play the following situation.

Lynda Gorgene's assistant Mary has gained ten pounds since being hired. She does not look as fit or attractive as she used to. Lynda is not happy with the change and is worried about Mary's gaining even more. Role play Lynda discussing this problem, tactfully, with Mary.

UNIT 5

Organizing the Work

Goal: To help you organize the work of your health spa.

Objective 1: Fill out a training record for one of your customers.

Objective 2: Write a work schedule for yourself or an employee.

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## LUCILLE ORGANIZES THE WORK

"Now that I've hired Sally, we're just about ready to open. First, Sally and I have to discuss hours. She's going to start with 25 hours a week. I also want her here during our busy time. If we're like most women's spas, our peak time will be evenings from 5-7 and Saturdays from 9-11. That will just about cover her 25 hours.

"We're also going to need to keep track of our customers' routines here. At La Petite Spa, we used one form for everything. It covered the customer's physical condition, goals, recommended exercise and diet, attendance, and progress."

Lucille looked at La Petite's "training record" and made a few changes to suit her needs. She would print some, try them out, and make changes later if she needed to.

Sally agreed to work during the hours Lucille needed her. Soon they were off and running. Lucille planned a flexible schedule for herself and Sally. They would both work with customers during the peak times. They would fill in the slower hours with cleaning, filing, and bookkeeping. Lucille would schedule other tasks for these slow times, too. These included appointments with the accountant, buying new equipment or supplies, planning new classes, and preparing ads or sales strategies.

Lucille was pleased with her days. She liked the constant variety of her activities. And she had a very agreeable, qualified assistant to help. This gave her enough time in the day for other tasks and for unexpected interruptions as well. She knew, though, that business might continue to grow at the same pace. Then she'd have to make some changes in her schedule.

## Organizing the Work

Doing the work of any business, large or small, involves three main steps. These are organizing the work, doing it, and, finally, checking the work to ensure high quality and customer satisfaction. This unit covers the first step, organizing the work of a health spa. First you will learn about keeping track of your customers' fitness needs and routines. Then you will learn about scheduling jobs for yourself and your employees.

### Keeping Track of Your Customers' Fitness

You will need to keep track of four things relating to your customers' fitness:

- information about their physical condition--weight, height, pulse rate, overall health condition and limitations;
- indication of their fitness goals (why are they using the spa?)--general conditioning, weight reduction or gain, muscle toning or building, injury rehabilitation;
- "prescription" for customer to follow at the spa--exercise routine, diet, classes; and
- record of attendance at spa and routine followed.

Typically, a health spa will give customers a single form on which to record all of the needed information. This form is sometimes called a training record. It is used by both the customer and trainer to keep track of the customers' performance and progress towards reaching his or her goals.

If you open a franchised spa, a form for this purpose will probably be provided by the franchising company. Otherwise, you will have to

develop your own, or adapt one from the spa where you have worked or exercised before.

The training record that Lucille developed for her customers at The Fitness Place is shown on the next page. As you can see, space is provided for information about the customer's physical condition, fitness goals, recommended exercise and diet routine, dates of visits, and record of exercise performance and calorie intake for those dates. Additional space is provided for special diet information, classes taken, and other comments. The form is printed on both sides of the paper. When both sides are filled in, a new form is provided.

There is no one "right" way to keep track of all this information. You may want to divide the information into several simpler forms. You may want to keep a separate file of 3x5 cards including basic information on each customer such as name, address, type of membership, and physical condition.

As the owner of a health spa, you will have to decide on a method that fits the needs of your customers and the services you offer.

## Scheduling the Work

Lucille has to schedule the work of her health spa. She has to decide how best to cover customer needs in the gym and how to divide up the work between her and her assistant, Sally. She also has to decide when to schedule classes and when to do the many other tasks she must do as owner of the business.

Covering customer needs and dividing the work. Since Lucille has only one part-time employee, dividing and scheduling the work is fairly simple. She makes sure that Sally is scheduled to work in the gym during peak hours. She tries to be there at those times as well. When a customer is coming in for the first time, Lucille schedules time to show her around personally. She develops her individual "prescription" and takes

# The Fitness Place

TRAINING RECORD

Name_____

Referred by_____

Start Date _____

Expiration Date_____

CONDITION:

Age ____

Weight____

Height____

General Health_____

Limitations_____

_____

_____

GOALS:

☐ General Conditioning

☐ Weight Reduction

☐ Weight Increase

☐ Other_____

_____

_____

_____

| Date: | | | | | | |
|---|---|---|---|---|---|---|
| Pulse Rate: | | | | | | |
| Body Weight: | | | | | | |
| EXERCISES: | | | | | | |
| Recommended Performed: | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| 6. | | | | | | |
| 7. | | | | | | |
| 8. | | | | | | |
| 9. | | | | | | |
| 10. | | | | | | |
| DIET: | | | | | | |
| Calories Allowed: | | | | | | |
| Calorie Intake: | | | | | | |
| Special Needs: | | | | | | |
| | | | | | | |
| | | | | | | |
| CLASSES TAKEN: | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |

COMMENTS: _____

_____

her through a sample exercise routine. Sally is trained to do this too, in case Lucille cannot be there. But Lucille wants to be as personally involved with each customer as possible.

The customers' needs come first in the spa business. Other tasks that need to be done, such as cleaning or filing, would be done by Lucille or Sally during the slower hours.

In a larger spa, each employee would be scheduled to meet the varied needs of customers, especially during peak hours. A schedule would be prepared and probably posted as a reminder to employees of where they should be and when.

Scheduling classes. Before scheduling classes, Lucille takes a survey of her customers' interests and when they would be available to attend. Classes are then scheduled to fit the customers' needs as well as possible.

Scheduling other tasks. As we said before, Lucille has other tasks to do in her day besides working with the customers. She has to "sell" services, arrange to service the equipment, and keep financial records. Sometimes she interviews people for jobs or talks with her lawyer or accountant.

Although all of these tasks are not likely to occur on a single day, several might. Lucille must decide which tasks are most important and should be done first. She must include these tasks in her daily schedule along with her training jobs. Lucille writes down these tasks on her own daily schedule.

## Summary

You will need to keep track of your customers' physical condition, goals, recommended exercise and diet routines, and their progress. You will also need to schedule jobs for yourself and your employees.

## Learning Activities

### Individual Activities

1. List four kinds of customer information a health spa owner must keep track of:
   a.
   b.
   c.
   d.

2. Read the following description of Tara Dorabji, a new customer of Lucille's. Use the information to fill out the blank Training Record on page 48.

> At 125 pounds, Tara Dorabji is 20 pounds overweight for her 5-foot frame and 30 years of age. Her general health is good, but she is depressed about her weight. She has taken a three-month membership at The Fitness Place on her doctor's advice. She hopes to lose weight through proper diet and exercise. On her first day, July 1, Tara was assigned a 1,000 calorie diet, a daily half-hour exercise routine, and a weekly weight-watchers' class.

3. On June 20 Lucille wants to meet with her accountant to go over the books for the first half of the year. She has also been invited to speak at the local Newcomers Club's 10 a.m. meeting. Her weekly ad in the local paper is due on June 21. She also knows she wants to be in the gym during the peak hours.

   Make out a work schedule for Lucille for June 20. Make up your own schedule form. Decide how best to fit in all of the tasks Lucille needs to do.

Discussion Questions

1. Are work schedules likely to be more or less important to have as your health spa grows in size? Why?

2. Leroy Carver had five part-time instructors at his karate center. They all taught their own karate classes. They also shared the cleanup, repairs, and office work. Leroy said, "I hate formalities. I know my men are good, and everything will get done when it gets done. There'll be no lists and schedules around here. It's bad for morale."

   How do you think Leroy's business will run? What are the advantages and disadvantages of running the business in this way?

3. When Grace Garcia started her small spa, Slim and Trim, she said, "I hate forms and paperwork. Inventing and printing forms is expensive too. So when each new customer comes in, we'll put her name, age, and weight at the top of a piece of paper and write down her very own prescription for exercise and diet. It will be much more personal than using the same form for everyone."

   Do you agree with Grace? Why or why not?

Group Activity

As a group, see how many tasks you can think of that the owner of a health spa like Lucille's might have to do during a busy day. Consider both routine and unusual or unexpected tasks.

List these tasks on the chalkboard. First decide how often each task should be done: daily, weekly, monthly, etc. Then number them in order of importance. Indicate which tasks should be done first, second, and so forth. Remember that Lucille's routine training of customers must be scheduled throughout the day.

Then make up a one-day schedule for Lucille. You may decide there are too many tasks for her to complete in one day. Suggest how and when these should be done.

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UNIT 6

Setting Prices

Goal: To help you decide how to set prices for your health spa.

Objective 1: Pick the best price for your services.

## LUCILLE SETS PRICES

Before Lucille actually opened her doors, she had to decide on what prices to charge. Lucille knew that most health spas sold club memberships of different lengths and prices. Members could then use the spa as much as they liked while they belonged. Some customers would come often, others hardly ever. Regardless, Lucille knew that a spa needed to sell enough memberships at the right price to cover its operating expenses and make some profit, too.

Lucille decided to look at her competitors more closely before setting her prices. She already knew that La Petite Spa offered a three-month membership at $100 and a full year at $200. Most customers bought the $100 membership and, if they wanted, added another $100 to extend it to a year. Jack Tanny's was quite different. It had been selling one-year memberships for only $100. They were selling like hotcakes. However, Lucille learned that the spa wasn't at all the friendly, personal type spa she wanted. Most of its customers never came back after the first month. Lucille wanted to have regular customers who really used and liked The Fitness Place.

Her newest competitor, the franchised Health Spa, was offering a unique introductory special. It included an 18-month $500 membership, with a guaranteed rate of only $60 a year for life after that. Obviously, the Health Spa was hoping to attract customers with the $60/year for life rate. But $500 was a lot of money to start.

"I'm a little confused by so many different prices. I know I don't want to go the way of either Jack Tanny or the Health Spa. One is too cheap and impersonal. The other is too expensive and gimmicky. The Fitness Place is really most like La Petite Spa, so I'll kind of follow their ideas.

"For starters, I'd like to offer a shorter trial membership--say six weeks, and I'll charge $75 for that. I'll offer a two-for-one deal in the beginning. That way I'll get two new members to join. I'll also offer six months for $150 and a year for $200. I don't want to charge more than La Petite Spa, even though they're across town. I'm still new, and I don't have a very big place. When I get more equipment and maybe a pool, I'll be able to increase my prices."



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## Setting Prices

To be successful, you must set prices for your health spa that

- are competitive with similar businesses;
- are acceptable to your customers; and
- cover operating expenses and profit.

This is what Lucille tried to do when she set prices.

In this unit, you will learn about some things to think about when setting prices in any business. You also will learn about some things relating to the health spa business in particular.

### Things to Think About When Setting Prices

There are four basic things to think about when setting prices in any business:

- demand for services;
- competition;
- operating expenses; and
- profit.

Demand for services. Customers are willing to pay more for services that are hard to get and less for services that are easy to come by. For example, what would you do if there were plenty of other health spas in the area? You would have to charge your customers less than if there were few or none available. Of course, if there were few or none available because the demand was low, you could not afford to charge higher prices. In deciding to open The Fitness Place in Dayton, Lucille had studied the area and felt that the demand for physical fitness was strong. But in setting prices, she would have to consider her competition.

Competition. When opening any business, it is usually wise to set prices somewhat in line with those of your competitors. You may even set them lower to get customers to try you, the newcomer.

Your customers will not pay higher prices unless you offer extra services or better services. A customer will look for the lowest price, but will also consider the quality of your services. How friendly and helpful are your trainers? How clean and attractive is your spa? How convenient are your hours and location?

Take Lucille as an example. She has three competitors, only one of which is a women-only spa. She decides to keep her prices on the low side and to offer special introductory prices as well. She also plans to introduce herself to the community as a new businessperson determined to attract customers with friendly, personal services in a clean, attractive setting.

Operating expenses. Operating expenses are the costs a business must pay just to keep its doors open, with or without any customers. Your prices must more than cover the costs of running your business.

Expenses to run a health spa include such items as:

- salaries;
- building expenses (rent and utilities);
- insurance;
- advertising;
- furniture, equipment, and supplies; and
- cleaning and maintenance.

Lucille's monthly operating expenses will run about $3,500. She will have to get enough customers to pay enough money to bring in at least $3,500 per month.

As owner of a health spa, you will have to figure out what your operating expenses will be and set your prices accordingly. Often this takes some trial and error guesswork. You have to think about your competition

and the demand for your services. You may make some mistakes. If your expenses are very high, you may need to raise prices. Or you may need to cut your expenses. A good manager tries to keep operating expenses as low as possible or, at least, to save money where it is easiest to do so. Remember that Lucille saved by leasing her equipment and finding a location with a good rental price.

Profit. Your profit will be your reward for all of your hard work. Your prices must allow you to make some profit. Profit is what's left after everything has been paid for. It may be your own salary or some amount over and above that. You must decide how much profit you can make and whether this is acceptable for you. Remember that many successful businesses start out with little or no profit in the first few years. Lucille was finding this out, too.

## Pricing Health Spa Services

The typical health spa offers its services to customers by selling memberships in the spa.

Membership packages. Memberships of different lengths are usually offered to customers. They can range from one- or two-month introductory memberships to memberships of a year or more. Members are usually entitled to use all or most of the spa's services as often as they like during the time they belong to the spa. Of course, membership prices increase with the length of the membership. However, the longer the membership, the cheaper the monthly cost. For example, Lucille's basic membership prices were $75 for six weeks, $150 for six months, and $200 for a year.

In general, longer-term memberships are more profitable and easier to manage. There are fewer billing and recordkeeping chores. However, the choices you offer should depend on customer demand. For example, if customers want short-term memberships, you should offer several choices such as one-, three-, or six-month memberships. Some spa owners offer different kinds of memberships at different times. It depends on how the business

is doing. The Federal Trade Commission limits the length of time and amount of money any health spa contract can be sold for.

Other special prices are sometimes offered. Coed spas usually offer memberships for husbands, wives, or entire families at special discount rates. For example, a $200 single membership might cost only $300 for two people. In addition, some spas offer lower rates for students and senior citizens.

Special introductory offers. Often when a health spa first opens, special prices are offered. These are intended to encourage new customers to try out the spa. They help a new spa stand out from its competition. These "specials" might include several free introductory visits and extra low introductory rates for a brief trial period. Or they might include two memberships for the price of one (to get two new customers). In addition, short memberships can be transferred into longer memberships at no extra cost to the customer. Lucille decided to offer two-for-one six-week memberships. She was very pleased with the results. Friends and co-workers joined together and brought new friends in. This is usually a better way of getting new members than offering half-price memberships or lengthy free trial periods.

Extra services. Sometimes customers are charged for services such as counseling, massage, or beauty treatments. This is particularly true if a special person is hired to perform the service. Prices for these services should be set considering all the things we have been talking about.

## Summary

In general, there are four things to consider when setting prices. These are demand for the service, competition, operating expenses, and profit. In the health spa business, services are usually sold through memberships of different lengths. Special introductory prices are usually offered to encourage new customers to try the spa.

## Learning Activities

### Individual Activities

1. List four general things to consider when setting prices for a health spa.

2. Call a health spa in your area. Ask what it charges for its memberships. (Indicate that you're interested in joining.) Compare these prices with other students' findings from other health spas. Is there a "going rate" in your area? Or do you find very different rates like Lucille? Are there introductory specials?

3. a. About how many six-week memberships would Lucille have to sell to cover her first month's expenses ($3,500)?
   b. About how many customers would this bring her if she sold mostly two-for-ones?

4. List three ideas for special introductory health spa prices.

5. Pretend you are opening a new health spa. Your main competition offers a straight one-year membership for $150, payable in one lump sum when purchased. It can be renewed for $100 a year. Which of the following is the best price for you to offer when you open? Why?
   a. $175 per year, payable in monthly installments; $125 renewal
   b. $150 per year, payable when purchased; $100 renewal
   c. Two-for-one year's membership for $200
   d. First year's membership at $100; second year free

## Discussion Questions

1. Do you think Lucille's prices make sense in light of her competition and the demand for health spa services? Should she have tried to compete more on price with Jack Tanny's $100 membership? Why or why not?

2. In her second year of business, Lucille finds that her expenses have gone up 10%. Sally wants a raise to keep up with inflation and Lucille would like to hire another trainer. She decides to raise prices by 15% and she drops her two-for-one special. The number of new customers drops. What should Lucille do to increase her business and keep up with inflation at the same time?

3. Many health spas offer "special prices" almost all the time. One month it might be a two-for-one special. Another month it might be three free visits. Still another might be promise of an inexpensive renewal. This means that customers are paying different prices for the same services. In what ways does this practice make sense? In what ways could it be a problem?

## Group Activity

Jim Bycott owns a successful coed health club. His club appeals especially to the "professional, amateur, and recreational athlete." Six-week and one-year memberships are available for $85 and $360. Jim wants to expand his business. He invests about $20,000. He borrows another $50,000. The money goes for computerized equipment that can analyze blood, heart function, exercise stress, percent body fat, etc. to determine a person's fitness. He will have the only spa in the area that offers computerized fitness evaluation.

Answer these questions to help Jim decide how to set prices for his evaluation service.

1. List several things Jim must think about when he sets prices. Arrange them in order of importance. Which will be most important? Least important?

2. Jim figures each fitness evaluation will cost him $200. How much might he charge customers?

3. Assuming this price, what type of customer is likely to use this service?

4. Jim decides to charge $250. Customers love the service, but the number of customers is very small. Business does not grow as Jim had hoped. What should Jim do?

5. What are some problems involved in offering and pricing services that cost a lot to provide?

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise and sell the services of your health spa.

Objective 1: Pick one way to advertise your health spa.

Objective 2: Design a printed ad for your health spa.

## LUCILLE "SELLS" THE FITNESS PLACE

Lucille knew that advertising and sales were very important in the health spa business. She had seen how hard her boss at La Petite Spa had worked at planning new sales strategies each month, and on developing a fancy brochure describing the spa. Lucille also knew that sales planning had to be done before she ever opened her doors. She sat down to think about setting her prices. Then she realized that pricing and sales went hand-in-hand.

"The special prices I offer when we open will probably be my best sales method. Customers are really attracted by specials like two-for-ones and free visits. But, as I said before, I don't want to seem cheap and gimmicky. My specials will have class. First I'll hold an Open House, where I can introduce myself personally to each woman and guide her through the spa. I'll advertise the open house in the local weekly advertiser. I'll have a large, attractive sign on the window. I'll also put up some 'invitations' in local store windows. I'll send some to the Newcomers Club and The Junior League. I won't print prices on the signs--that's tacky. I'll just say something like 'Special Introductory Prices,' and 'refreshments and demonstrations provided.'

"I'll also print a nice flier describing our services, maybe with a silhouette drawing of a woman exercising. Maybe we can use the picture as a symbol for advertising. Visitors can pick up the flier when they come in, and I can use it for other advertising later.

"Sally and I will let people know what a great spa The Fitness Place will be. We'll try to get them to sign up or at least call for a free guest pass."

Open House was on Saturday, Sept. 15. The turnout was greater than Lucille expected, with almost 50 women scheduling visits for the next couple of weeks. Lucille would plan to spend most of her early weeks meeting future customers. She would try to make a good impression on them. Then, with luck, she would sign them up for memberships in The Fitness Place.

## Advertising and Selling

Advertising and selling your health spa and the services it offers are very important to the success of your business. You can see how important it was to Lucille as she was starting The Fitness Place.

As Lucille found, the best way to attract customers at first is to offer introductory and ongoing "specials." These offer customers special low prices or a chance to try out the spa before joining. Holding an open house and talking to local clubs and businesses can also be helpful. Printed ads, direct mail, and brochures can also be used, but are not as important in the health spa business as in others.

Probably your most important "sales" method will be your ability to show customers that you understand their needs and want to serve them. In this way you will build a good reputation. You also will build up your business by word of mouth.

### "Selling" Health Spa Services

Selling health spa services involves several activities. These include introductory specials, open houses, visits and lectures to interested groups, and developing a good reputation.

Introductory specials. You learned about specials and the importance of offering them in Unit 6, Setting Prices. To refresh your memory, specials might include two-for-one memberships, extra-low introductory rates, several free visits, or inexpensive renewal rates. Some spa owners think the two-for-one price is an especially good way to attract new customers. Free visits are useful, too. In fact, it is probably wise to offer at least one free visit to help a possible customer know

what she or he is buying. However, Lucille offered hers as a "Free Guest Pass." Keep the number of free visits small. You don't want freeloader customers enjoying your offer for long. Thirty days free is going much too far.

Many health spas continually offer a special but change it regularly. This appeals to many customers who like a "bargain." If you choose this approach, set a cut-off date for each special to help close the sale: "Two memberships for the price of one until the end of the month." But don't be pushy. Let the customers decide.

This sales approach does not appeal to all customers. To some it seems gimmicky or cheap. Some spa owners prefer not to offer special prices and time limits. They prefer to create a low-key image of quality without gimmicks. Only you can decide what's right for your business. Who will your customers be? What will appeal to them? What image do you want to establish?

Open house. When you are ready to start business, hold an open house to introduce the public to your spa. Show people around, serve light refreshments. Let them know how you operate, how friendly and service-minded you are, and how they can join. Advertise the open house with a big sign in your window and by placing an ad in the local newspaper. If you want to attract particular customers, send a written invitation.

Visits and lectures. You might wish to contact local clubs whose members might enjoy your spa. The Newcomers Club and service and civic groups are possibilities. Offer to speak to these groups, and give coupons for a free visit. Or invite the group in for a free visit and talk at your spa.

Word of mouth. Eventually, your success will depend on your reputation in the community. You will want your customers to renew their memberships, and you will want to keep new customers coming. To do this, you will be "selling" your business every day by offering friendly personal service, and following the policy: "The customer comes first." In

this way, your customers will come back, and they will bring new customers. Two other "sales" ideas to encourage referrals should be considered. Offer your customers a "bonus" if they find a new member. The bonus could be a reduced renewal price or a free personal service such as a massage or facial. Or sell a gift certificate that can bring in new customers.

## Advertisements

As we said before, most typical forms of advertisement are not as important to the success of a health spa as they are to other businesses. But they can be used to a limited degree.

Yellow Pages. You should advertise in the Yellow Pages as all small business owners do, but the ad probably will not bring many customers. So just take out a small, inexpensive ad, including your name, address, phone, and whether you are a women- or men-only spa. Place the ad under "Health Clubs" or "Physical Fitness," and do it well ahead of time so that the ad will appear when you open.

Newspapers and magazines. Newspaper ads do not pay off in the health spa business. If you are in a small community, however, an ad in a small weekly paper or advertiser might be worthwhile.

The best place to put an ad, if possible, is in a specialized publication such as physical fitness or sports magazines. Or put it in a local group publication such as a newcomers newsletter. Ads in large magazines are very expensive, so don't even consider it if your advertising budget is small.

Direct mail. If you are offering a service that might appeal to a very specific group of people, you might want to send a personal letter to those people. For example, Jim Bycott wanted local businesses to learn about his new computerized fitness evaluation. So he sent letters to business executives in the area with a brochure describing the new

service. In general, however, health spas do not use direct mail advertising for large groups of unidentified people.

Brochures and fliers. It is important for you to have a one-page flier or brochure that describes your health spa. It should be available to customers when they come in and for sending out to potential customers.

Here is the flier Lucille designed for The Fitness Place.

## The Fitness Place

New Ideas & Techniques

For Fitness & Beauty

We offer these personal, individualized services:

- Fully Equipped Gym
- Daily Exercise Classes
- Sauna
- Aerobics
- Yoga
- Weight Reduction and Diet Plan
- Nutritional Guidance
- Skin Care Guidance and Classes
- Guest Speakers

DAYTON'S NEWEST SPA
FOR WOMEN ONLY

484 State Street (in new Bayside Shopping Center), Dayton
Phone: 737-0530 Hours: Mon-Fri 9am-9pm; Sat 9am-3pm

CALL FOR A FREE GUEST VISIT

Your flier or brochure, like Lucille's, should be simple and attractive. Above all, it should provide important information about your business. Include any special features or services you provide. Include an illustration, if possible, as Lucille did.

Signs. An attractive sign should be posted at your spa. If you are located on a busy street or in a busy shopping center, the sign should be large and placed to attract as much favorable attention as possible.

Summary

Advertising and selling are very important in the health spa business. The best way to attract customers is by offering introductory "specials," holding open houses, and building a good word-of-mouth reputation.

## Learning Activities

### Individual Activities

1. Match each of the following with the words best describing it:

| | |
|---|---|
| ____ Guest pass | a. Useful when you first open |
| ____ Newspaper ad | b. Most important sales technique |
| ____ Flier | c. Important every single day |
| ____ Introductory special | d. Must be simple but attractive |
| ____ Yellow Pages ad | e. Not very helpful in general |
| ____ Friendly, personal service | f. Every small business needs to have one |
| ____ Open house | g. Good way to let customers know what they are buying |

2. Look in the Yellow Pages under "Physical Fitness" or "Health Spas and Clubs." Compare ads for health spas. What size are they? What information do they include? Which ad do you think is best?

3. Call one of the health spas you found in Item 2. Indicate that you are a student learning about small business advertising. Ask the spa to send you its flier or brochure. Examine it. Compare it to Lucille's Fitness Place flier.

4. Ask for a free guest visit at a health spa near you. Visit the spa. Try its services. Then decide if you would like to join based on your experience visiting.

5. Here is a list of sales and advertising methods:

   a. Free visit
   b. Two-for-one prices
   c. Direct mail
   d. Open house

   Which of these methods would best suit each of the following advertising needs?

   _____ Introducing the entire community to your new spa

   _____ Letting local doctors know about your new physical therapy services

   _____ Getting Janet Carver, 30 pounds overweight, to try out your exercise equipment

   _____ Helping Tom Lindley, a prospective new customer, think he is getting a good deal

Discussion Questions

1. Do you think Lucille's advertising plans are good? Why do you think she chose the methods she did? Will her flier attract customers? Is there anything else Lucille might do to help "sell" The Fitness Place?

2. Discuss why the usual printed ads in Yellow Pages, newspapers, and magazines are not especially useful in the health spa business.

3. Tony Leo was starting the Sun-Glo Health Club. To attract customers, Tony placed a large ad in the Sunday Tribune classifieds under "Services." He offered customers ten free trial visits and a free massage. What do you think of Tony's advertising approach? Why?

Group Activity

In small groups, make out an advertising and sales plan for your own health spa. Design a simple and attractive flier or brochure that describes your business.

UNIT 8

## Keeping Financial Records

Goal: To help you learn how to keep financial records for your health spa.

Objective 1: Fill out a customer billing form for services sold to a customer.

Objective 2: Fill out a daily cash sheet for the money you receive and pay out in one day.

FINANCIAL
RECORDS

## LUCILLE KEEPS FINANCIAL RECORDS

Ready to open, Lucille needed a way to keep track of her money. How would she collect money from her customers? How would she keep track of the money coming in and going out of the business each day?

"I'm sure glad I took those business classes at night. Without them, I would have known nothing about the billing and bookkeeping I'm going to have to do for The Fitness Place."

Lucille thought a lot about how she expected the business to run. Did she want to give credit and let customers pay in installments? Did she want to spend a lot of time doing billing work? Answering these questions helped her set up a system she hoped would work.

"I'd like to make things as easy as possible for my customers. Most of them will probably take six-week memberships to start. I'll let them pay in full when they join. Or they can pay $40 at first and the rest at the end of the month. I'll give them a self-addressed envelope and a payment coupon when they leave. For six- or twelve-month memberships, I'll take installment payments: six $25 payments or ten $20 payments. I'll give customers coupons with due dates and envelopes and leave it to them to pay. We'll keep a card file by date, showing when payments are due for each customer. If we don't get the money on time, we'll send a reminder bfll. That way customers won't feel bugged by constant bills, and I won't have as much billing to do."

Since money would be coming in and going out at different times, Lucille needed a way to keep track of the cash flow. She bought a batch of daily cash sheets on which she could show exactly how much money came into and went out of The Fitness Place each day. Each month she would summarize her income and expenses. At the end of the year she would have good financial records to help determine how well the business was doing.

Lucille had her accountant check her plans and she found them acceptable. After several months of business, the system seemed to be working well. About 25% of her customers seemed to need reminders, but most paid quickly after receiving a bill. Not having to bill all her customers saved Lucille time and money, too.

## Keeping Financial Records

As a health spa owner, you must have a clear way to keep track of your income and expenses. You must keep good financial records to know how your business is doing and to make important decisions. You also must provide financial information to the government when filing your taxes.

Different businesses have different recordkeeping needs and methods. The needs of your health spa will be fairly simple. First, you will need a way to bill customers for their membership fees and any other services provided. Second, you will need to keep track of the money coming into your business (revenues) and going out of your business (expenses). In this unit, you will learn about customer billing forms and daily cash sheets.

### Customer Billing Form

Your billing methods will depend on the types of memberships and other services you offer. Lucille, for example, offered six-week, six-month, and one-year memberships. She let her customers pay in installments. Lucille gave customers payment coupons and envelopes. She left it up to them to pay on time. She sent out bills only if customers didn't pay on time, or if they asked to be billed. She used a standard customer billing form like the one shown on the next page.

THE FITNESS PLACE

CUSTOMER BILLING FORM

Customer: Jocelyn Webster

Payment Due Date: 10/15

| Date | Service | Amount Charged | Payment Received | Balance Due |
|---|---|---|---|---|
| 9/15 | 6-week membership | $75 | $40 | $35 |
| 10/3 | | | -- | $35 |

A sample entry is made to show that on September 15, Jocelyn Webster paid $40 toward a $75 membership. When the remaining $35 was not received by the end of the month, she was billed for the $35 balance.

If your health spa offers special services with separate charges, such as massages or facials, follow the same guidelines already discussed. Encourage the customers to pay on the spot. Or offer credit and bill them for the extra charges using a customer billing form.

Lucille tried to keep her billing work very low by giving out payment coupons. There are other ways to reduce your billing work in the health spa business. You can accept a bank credit card such as VISA or MasterCard. The bank pays you the customer's charges and in turn bills the customer for payment. Or, you can hire a billing service, usually a bank, to do the billing for you. Either of these methods will cost you extra money. You will have to decide if it's worth it.

## Daily Cash Sheet

Because customers do not usually pay for separate services in a health spa, the amount of money that comes in varies a lot from day to

day. Daily expenses vary a lot also. But both income and expenses tend to be greater at the beginning and end of each month, when most people and businesses pay bills.

A daily cash sheet can be used to keep track of your income (cash receipts) and expenses (cash payments) each day. Here is one that Lucille filled out for October 31. The one you use in your business may be slightly different.

DAILY CASH SHEET
October 31, 19XX

| Cash Receipts | | Cash Payments | |
|---|---|---|---|
| Cash Sales: | $ 115.00 | Salaries | $ 250.00 |
| J. Delaney $40 | | Building expenses | 1200.00 |
| T. Gooding $75 | | (rent) | |
| | | Equipment and | |
| Credit Sales: | $ 350.00 | Furniture | |
| 10 checks at $35 | | Supplies (printing) | 150.00 |
| | | Advertising | |
| | | Other (accountant) | 55.00 |
| TOTAL CASH RECEIPTS | $ 465.00 | TOTAL CASH PAYMENTS | $1655.00 |

As you can see, on October 31 Lucille received customer payments totaling $465. She also wrote end-of-the-month checks totaling $1655.

You may decide to use a simple record book instead of Lucille's form. At the end of each month, these daily cash forms or records would be summarized. They would be summarized again at the year's end to provide a complete statement of profit and loss. This will be discussed further in the last section of this module.

Summary

Keeping good financial records is a necessary part of running a health spa. It involves billing and collecting money from customers for membership and other services provided. It also involves regularly keeping track of the business' income and expenses.

## Learning Activities

### Individual Activities

1. Fill in the blanks, using what you have learned about keeping financial records for a health spa.
   a. A customer who pays membership fees over a long period of time is paying in _____.
   b. Customers paying this way may be given payment _____.
   c. Or they can be billed using a _____ _____ _____.
   d. In this business, bills are likely to be sent out _____ (weekly, monthly, bi-monthly, yearly).
   e. A daily cash sheet is a daily record of the business' _____ and _____.

2. Jeannie Louis has a paid-up membership at Lucy Lamour's, an exclusive health club. However, Jeannie uses many extra services at Lucy's. In November she had $25 massages on the 3rd, 10th, and 24th, $15 facials on the 14th and 28th, and a special figure consultation costing $50 on the 19th. Fill out a billing form for Jeannie's November charges. Put the charges in order by date.

CUSTOMER BILLING FORM

Customer: _____

| Date | Description of Sale | Amount Charged | Payment Received | Balance Due |
|---|---|---|---|---|

3. Here is a list of the money Lucille received and spent on November 15.

| | |
|---|---|
| Checks received: | |
| Hortense Carver (cash payment) | $150 |
| Chris Lee (payment for past services) | 35 |
| Sue Yee (payment for past services) | 20 |
| Checks paid out: | |
| Sally Lipton (salary) | $250 |
| All-Farm Insurance | 275 |
| Mary Horton (flier) | 150 |

Fill out a daily cash sheet for November 15.

| DAILY CASH SHEET | | | |
|---|---|---|---|
| Cash Receipts | | Cash Payments | |
| Cash Sales | $_____ | Salaries | $_____ |
| Credit Sales | _____ | Building Expenses | _____ |
| | | Equipment and Furniture | _____ |
| | | Inventory or Supplies | _____ |
| | | Advertising | _____ |
| | | Other | _____ |
| TOTAL CASH RECEIPTS | $_____ | TOTAL CASH PAYMENTS | $_____ |

Discussion Questions

1. Lucille decided to allow customers to pay for their memberships in installments. Was this a wise decision? Discuss the pros and cons of offering credit this way.

2. Casey Jackson, owner of Fitness Unlimited, hated bookkeeping. So he hired the Lark National Bank of Tipton to do his billing and monthly financial statements. How would Casey's recordkeeping tasks differ from Lucille's? What are the advantages and disadvantages of each approach?

3. What other types of financial records, besides those already discussed, would the owner of a health spa have to keep? Think of other possible money dealings health spas would have.

Group Activity

Sara Jane Morris bought a one-year membership in The Fitness Place on October 10. She paid $20 down and agreed to make nine more $20 payments at the end of each month. On October 31 she made another $20 payment. However, as of March 15, she had not sent any more money to The Fitness Place. How would you handle this problem?

UNIT 9

## Keeping Your Health Spa Successful

Goal: To help you learn how to stay successful.

Objective 1: Figure out the net profit (before taxes), profit ratio, and expense ratio for a health spa.

Objective 2: State one way to increase profits.

Objective 3: State one way to change your health spa to increase sales.

LUCILLE WORKS TO KEEP THE FITNESS PLACE SUCCESSFUL

The Fitness Place is now two years old. Lucille's first year was very successful. Her planning and sales work seemed to have paid off. She had signed up some 200 members. Most of them came to the spa often and had already renewed their memberships. She had even shown a slight profit.

During the second year, however, business stopped growing. Lucille's small profit disappeared. It didn't take a genius to figure out the problem. The Fitness Place and other spas in Dayton had done so well that another large franchise, Slim 'n Trim, opened up--just a few blocks down the street from Lucille. Slim 'n Trim had a 2,000-square-foot gym, swimming pool, jacuzzi, steam room, and even two racquetball courts. What was even worse, Slim 'n Trim's introductory year's membership was only $100.

Lucille was in a dilemma.

"I can see that Slim 'n Trim is taking all of the new business around here. At least I haven't lost many customers to them. That shows that we're doing our job well. But with costs going up all the time, I can't afford not to get any new customers. And with Slim 'n Trim undercutting our prices, I certainly can't raise prices. I also can't afford to build a pool or expand to compete with them. So what can I do to change things?"

Lucille decided on two major changes. First, she would add a new "twist" to The Fitness Place. It would become more like its name: a place to learn about fitness. Lucille would offer fitness education through classes in yoga, aerobic dance, nutrition, and holistic health. Classes would be free to members, but non-members would be able to attend by paying a fee. In this way, Lucille hoped to get some new customers who were not yet interested in general membership. They might become interested through the classes offered.

In addition, she decided to add free babysitting during peak hours and class times. In trying to think about ways to increase business, Lucille recalled frequent comments from members like: "Gee, my friend Ginny would love it here, but she can't get a babysitter for Jimmy during the day."

## Keeping Your Health Spa Successful

Lucille Wolinsky very much wanted The Fitness Place to be successful, and she was willing to work hard and to make changes for it to happen.

You, too, will want to be successful in your business. How to be successful is not always easy to figure out.

There are three important ways to keep your health spa successful.

- Keep track of the money so you'll be sure to have enough.
- Keep your profits up and costs down.
- Improve or change your business when necessary.

In the last unit you learned how to keep track of the money. In this unit, you will learn how to keep track of and increase profits. You also will learn how to change your business, if necessary, to keep profits up.

### Keeping Track of Profits

Keeping careful records of your income and expenses from year to year, as Lucille did, is a necessary step in determining profits.

Profit/loss statement. Your income and expenses can be summarized each year on a profit/loss statement such as the one Lucille used. It is shown on the next page.

| THE FITNESS PLACE<br>PROFIT/LOSS STATEMENT | Year 1 | |
|---|---|---|
| | $ | % |
| **Revenues** | | |
| Cash Sales | $ 8,625 | 100% |
| Credit Sales | 25,125 | |
| TOTAL | $33,750 | |
| **Expenses** | | |
| Salaries | 6,000 | |
| Building Expenses (rent) | 14,400 | |
| Utilities | 2,000 | |
| Exercise Equipment (lease) | 5,000 | |
| Supplies (printing) | 1,000 | |
| Advertising | 850 | |
| Insurance | 3,000 | |
| Other: licenses, accountant, lawyer | 1,100 | |
| TOTAL | $33,350 | 99% |
| **Net Profit** | $400 | 1 % |

From this statement you can see that in her first year Lucille had revenues (or income) of $33,750. Her net profit was $400--the difference between total revenues and total expenses. If her expenses had been greater than her revenues, she would have suffered a loss.

Two percentages are shown on the profit/loss statement: the profit ratio and the expense ratio.

- The profit ratio is a percentage comparing net profit to revenues.

$$\text{Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenues}} \times 100 = \frac{400}{33,750} \times 100 = 1\%$$

This means that in Year 1, Lucille's profit was 1% of the total earned by The Fitness Place that year--not very much, but a beginning for Lucille.

- The expense ratio is a percentage comparing expenses to revenues.

$$\text{Expense Ratio} = \frac{\text{Expenses}}{\text{Revenues}} \times 100 = \frac{33,350}{33,750} \times 100 = 99\%$$

This means that in Year 1, 99% of Lucille's revenues went to pay her expenses. Lucille wants to decrease that percentage as time goes on.

These percentages can be useful to you in comparing your profits and expenses from year to year. They can also be used in comparing your business with other health spas.

Two-year profit/loss statement. When Lucille compared her income and expenses for the first and second year, she used the form shown on the next page.

THE FITNESS PLACE

TWO-YEAR PROFIT/LOSS STATEMENT

| | Year 1 | | Year 2 | |
|---|---|---|---|---|
| | $ | % | $ | % |
| **Revenues** | | | | |
| Cash Sales | 8,625 | | 7,975 | |
| Credit Sales | 25,125 | | 25,525 | |
| | 33,750 | 100% | 33,500 | |
| **Expenses** | | | | |
| Salaries | 6,000 | | 6,300 | |
| Building Expenses (rent) | 14,400 | | 14,400 | |
| Utilities | 2,000 | | 2,200 | |
| Exercise Equipment (lease) | 5,000 | | 5,000 | |
| Supplies and Printing | 1,000 | | 1,000 | |
| Advertising | 850 | | 550 | |
| Insurance | 3,000 | | 3,200 | |
| Other: licenses, accountant, lawyer | 1,100 | | 1,200 | |
| TOTAL | $33,350 | 99% | $33,850 | |
| Net Profit | $ 400 | 1% | | |

The two-year profit/loss statement makes it easy to compare figures. In comparing Lucille's figures, you can see that her revenues went down while her expenses went up in Year 2.

Improving profits. As a business owner you may have no profits, or they may be too low or not growing enough. As Lucille did, you can try to increase them. Three basic ways to increase profits in any business are to:

- increase sales (get more customers);
- raise prices; and/or
- reduce expenses.

## Changing Your Business to Increase Sales

Lucille felt she could neither raise prices nor reduce expenses to increase her profits. She decided instead to increase sales by getting new customers. If you decide you want to increase sales in order to raise profits, there are two main ways to go about it:

- improve the quality of your services; or
- change or add to your services.

Don't try to do either of these things right away. You must first find out, as Lucille did, whether and how your health spa should be changed. To find out, ask your customers for suggestions. Try to find out why old customers stop coming. Look at your community and your competition. Study new business trends. Profits and sales may be lagging for a number of reasons. In Lucille's case, it was because of new competition for the same customers. Other possible reasons include dissatisfied customers, and increased costs or poor economic conditions. You must find out why your sales are down before you decide how to change.

Depending on the problems, there are many types of changes you might consider for your health spa. You might need to add (or drop) types of services or customers, as Lucille did, by adding classes and babysitting. She also changed the image of her spa to set it apart from the competition. If customers are dissatisfied in any way, you might need to improve personal relations with them or your staff. You might need to improve the quality of your staff or your equipment.

## Summary

You can figure out profits and compare them year-to-year by recording revenues and expenses on a profit/loss statement. If you want to increase profits, you must increase sales, raise prices, or reduce expenses. To increase sales, you may need to improve the quality or make basic changes in the services your health spa offers.

## Learning Activities

### Individual Activities

Use Lucille's case study to do the following.

1. Compute Lucille's net profit for Year 2. _____

2. Her net profit in Year 2 is actually called a _____.

3. Compute Lucille's profit ratio for Year 2. _____

4. Compute Lucille's expense ratio for Year 2. _____

5. Which year was a better one for Lucille? By how many dollars and what percent?

6. What is the sum of the profit and expense ratios? Why?

### Discussion Questions

1. Why do you think Lucille is so concerned about her declining profits? Her loss in Year 2 was very small (only $350), and she knew she'd have to live off her savings for a while.

2. Why do you think Lucille decided to try to increase sales rather than raise prices or reduce expenses?

3. Do you think The Fitness Place is a success in Lucille's eyes and in the eyes of the bank and community? What other things besides profit

and profit ratio would you, as owner of a health spa, look at to decide how successful you were?

Group Activity

Here are some new facts about Lucille's business. Read them and develop a plan to increase profits of The Fitness Place. Try to think of as many specific ideas as you can to increase profits.

1. Slim 'n Trim is having some problems with the Health Department about the cleanliness and chemical balance of its pool and jacuzzi.

2. Lucille would really like to build a swimming pool.

3. Lucille's classes are a big hit, especially aerobic dancing and yoga. Many non-members are paying for the classes.

4. About 25 new women join The Fitness Place within the first month that babysitting is offered.

5. Lucille is overworked. She's teacher, trainer, sometimes baby-sitter, and manager--all rolled up into one very tired woman. She's thinking about hiring another trainer to free her to promote the business more and to get some rest.

## SUMMARY

Health spas provide a variety of physical fitness and health-related services to women and men of all ages. Before opening a spa, you should have several years' experience in the physical fitness business. You should also have some basic business skills. Above all, you should like working with people.

A health spa should be located in an area where a demand for physical fitness exists. Choose a rapidly growing area where well-off, educated people live. Locate on a busy street, close and convenient to customers and parking.

You will need to borrow money to start your health spa. In applying for a loan, you will need to provide a description of your business and a statement of financial need. The amount of money needed to start a health spa depends on the size of your spa and the services you plan to offer.

To operate a health spa, you need at least one part-time trainer/assistant. Hiring good people involves reviewing their applications, interviewing them, and checking personal references. Keeping the people you hire happy involves giving them enough training to do their jobs well. It also involves having clearly stated policies and establishing good personal relations.

You will need to find a way to organize the work of your health spa. You must keep track of your customers' physical condition, fitness goals, recommended exercise and diet routines, and their progress. You will also need to schedule jobs for yourself and your employees.

In setting prices, you will need to consider four things. These are the demand for services, competition, operating expenses, and profit. In the health spa business, services are usually sold through memberships of different lengths. Offer special introductory prices to encourage new customers to try your spa. Advertising and selling are very important in the health spa business. The best way to attract customers is by offering introductory "specials," holding open houses, and building a good word-of-mouth reputation.

Keeping good financial records is necessary part of running a health spa. It involves billing and collecting money from customers for membership and other services provided. It also involves regularly keeping track of your income and expenses. By keeping good records, you can figure out your profits and compare them year to year. This is done by recording your income and expenses on profit/loss statements.

To own and operate a successful health spa, you need work experience in the field. You also need the special business management skills we have covered in this module. You can learn business management skills through business classes, experience, or by using the advice and example of an expert. Classes in physical education, physical therapy, and basic physiology would also be helpful to have before opening a health spa.

You may not make a lot of money owning a health spa. However, you would have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own health spa.

QUIZ

1. The main services provided by a typical health spa are
   a. swimming and water relaxation activities.
   b. beauty and body-building advice for women and men.
   c. classes in a variety of fitness areas.
   d. physical conditioning and weight reduction programs.

2. Which of the following personal qualities is least important for the owner of a health spa to have?
   a. Desire to overcome early sickness or physical disability
   b. Ability to sell and communicate well
   c. Being outgoing, friendly, and patient
   d. Attractive and physically fit body

3. List three things the owner of a health spa can do to stand out from the competition.
   a.
   b.
   c.

4. Anyone operating a health spa must get
   a. a local business license.
   b. a physical therapist's license.
   c. Department of Health approval.
   d. Food and Drug Administration approval.

5. In choosing a location for a health spa, you must think about the type of people in the area, their interest in physical fitness, and the number of
   a. busy streets and shopping centers in the area.
   b. freeways within a short distance.
   c. health spas in the area.
   d. new restaurants being built in the area.

6. George Cunningham wants to open a small body-building club for men in Norton. Which of these locations should he choose?
   a. A 5,000-square-foot space in a new shopping center on Main Street; low rent; five-year lease available.
   b. A 1,000-square-foot space in a warehouse located near offices and industry; plenty of parking and reasonable rent.
   c. His own triple-car garage, which can be emptied and equipped as a gym; located on a busy street in Norton; rent $0.

7. The business description for Emily Norris' new health spa should include all of the following information except
   a. where she plans to locate and why.
   b. who her competitors will be and where they are located.
   c. what services she will offer and to whom.
   d. what kind of education and work experience she has had.

8. Carm Marinoni's starting expenses for his karate studio are $22,500. He has $5,500 of his own money and $2,000 of his parents' money to invest in the business. How much will Carm need to borrow?

   $_____

9. Which of these tasks will Leon Moore, trainer at The Health Spa, be doing most of the time?
   a. Helping customers with their exercise routines
   b. Keeping the exercise equipment in good working order
   c. Selling special introductory offers to new customers
   d. Training new Health Spa employees to do their jobs

10. Which of these people should be hired as a part-time trainer at The New You, a high-class health club for men and women?
    a. Jeannette Wills: attractive former P.E. teacher, needs good job to support her two children; loves people and exercise.
    b. Thomas Cortez: physical therapy student, former varsity football and track star; nice personality; wants part-time work related to his field.
    c. Rona Epstein: friendly, shapely former secretary; good office skills; jogs, skies, and dances in her free time; wants a career change.
    d. Stan Flanagan: pro football player-turned-businessman; managed a large franchise health spa for a year; good salesperson; lots of ambition.

11. List three ways a health spa owner can keep her or his employees happy.
    a.
    b.
    c.

12. A training record form used by a health spa should include information about the customer's physical condition, a statement of fitness goals, recommended exercise and diet, and the
    a. name and approval of the customer's doctor.
    b. name, address, and phone number of the customer.
    c. rules and regulations of the health spa.
    d. dates the customer uses the spa and types of exercises done.

13. Which of the following tasks should the owner of a small health spa consider most important in her or his daily schedule?
    a. Working with customers in the gym
    b. Developing an interesting advertising brochure
    c. Interviewing and training new employees
    d. Sending out bills and keeping the financial records

14. Cicely Jones' part-time masseuse charges Cicely $20 an hour for her services. Customers at a competing spa pay $15 for a half-hour and $25 for an hour-long massage. What should Cicely charge her customers?
    a. $10 and $15
    b. $10 and $20
    c. $15 and $25
    d. $15 and $30

15. To advertise your new health spa, the most important thing you should do first is
    a. place an ad in the local newspaper.
    b. hold an open house to introduce the community to your spa.
    c. visit local clubs and civic groups to explain your services.
    d. offer free trial memberships.

16. A good flier or brochure should above all
    a. have an attractive illustration.
    b. describe your services in detail.
    c. fit easily on a single sheet of paper.
    d. show your name, address, and phone number in bold print.

17. A customer billing form used by a health spa will show the amount charged, balance due, and the
    a. type of membership purchased.
    b. services offered by the spa.
    c. dates the spa was used.
    d. name of the customer's trainer.

18. Which of the following information does a daily cash sheet include?
    a. Cash sales and payments
    b. Cash sales, payments, and profits
    c. Cash sales, payments, and debts
    d. Cash sales, payments, profit, and debts

19. Last year, total sales at Slim 'n Trim were $100,000 and total expenses were $85,000. Compute the following:
    a. Net profit = $ _____
    b. Profit ratio = _____ %
    c. Expense ratio = _____ %

20. The profits of Karen Kirby's health spa have been declining for the past year. What can Karen do to increase profits?
    a. Lower her membership prices
    b. Get rid of her overweight customers
    c. Build a new swimming pool and jacuzzi
    d. Find some new customers

21. To increase her sales, Karen could
    a. _____
    b. _____

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PROJECT PRODUCTS

## Entrepreneurship Training Components

| Vocational Discipline | Module Number and Title |
|---|---|
| General | Module 1 - Getting Down to Business: What's It All About? |
| Agriculture | Module 2 - Farm Equipment Repair |
| | Module 3 - Tree Service |
| | Module 4 - Garden Center |
| | Module 5 - Fertilizer and Pesticide Service |
| | Module 6 - Dairy Farming |
| Marketing and Distribution | Module 7 - Apparel Store |
| | Module 8 - Specialty Food Store |
| | Module 9 - Travel Agency |
| | Module 10 - Bicycle Store |
| | Module 11 - Flower and Plant Store |
| | Module 12 - Business and Personal Service |
| | Module 13 - Innkeeping |
| Health | Module 14 - Nursing Service |
| | Module 15 - Wheelchair Transportation Service |
| | Module 16 - Health Spa |
| Business and Office | Module 17 - Answering Service |
| | Module 18 - Secretarial Service |
| | Module 19 - Bookkeeping Service |
| | Module 20 - Software Design Company |
| | Module 21 - Word Processing Service |
| Occupational Home Economics | Module 22 - Restaurant Business |
| | Module 23 - Day Care Center |
| | Module 24 - Housecleaning Service |
| | Module 25 - Sewing Service |
| | Module 26 - Home Attendant Service |
| Technical | Module 27 - Guard Service |
| | Module 28 - Pest Control Service |
| | Module 29 - Energy Specialist Service |
| Trades and Industry | Module 30 - Hair Styling Shop |
| | Module 31 - Auto Repair Shop |
| | Module 32 - Welding Business |
| | Module 33 - Construction Electrician Business |
| | Module 34 - Carpentry Business |
| | Module 35 - Plumbing Business |
| | Module 36 - Air Conditioning and Heating Service |

## Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components